

# Studies of Tobacco as Indoor Pollutant Ended

By The Associated Press

The Environmental Protection Agency has quietly dropped tobacco from its studies of indoor air pollutants, a move that critics said was in response to pressure from the tobacco industry.

Agency officials confirmed yesterday that tobacco research had been dropped, but they denied that the action was a result of industry pressure.

"I can tell you categorically that there was no industry pressure that I knew of," said Erich Bretthauer, the agency's assistant administrator for research and development.

The program was ended two years ago, just as the agency was completing the first draft of a report on secondhand smoke and lung cancer that is being released today.

The report concludes that secondhand cigarette smoke is a human carcinogen and causes about 3,000 lung-cancer deaths a year in nonsmokers, agency officials say. It also concludes that secondhand smoke increases the risk of pneumonia and bronchitis in children.

Release of the report, after more than two years of revisions, could lead to Federal, state and local regulations limiting smoking in public places, public-health advocates said.

## Critics Speak Out

The decision to halt the E.P.A.'s investigation of tobacco was not widely known. Critics of the move said the imminent release of the lung cancer report prompted them to speak out.

Until the end of 1990, the environmental agency conducted experiments on cigarette smoke as part of its indoor air research program. The program, based in North Carolina, was one of the

largest Federal research efforts on the health effects of secondhand smoke, said Peter Preuss, director of the office of regulatory support and technical transfer at the agency.

The program conducted basic research and was not directly connected to the E.P.A. division that prepares risk assessments, like the one being released today.

The tobacco research program was doing much work on the effects of secondhand smoke in children, and an agency scientist who spoke on condition of anonymity said all of that had been dropped.

Mr. Preuss said the research was dropped because the agency had completed its central tasks and wanted to

move to other pollutants.

But Dr. Stanton Glantz, who works in the cardiology department at the University of California at San Francisco, said: "It's outrageous that the E.P.A. has terminated funding of the most important indoor air pollutant. The E.P.A. had one of the best research programs in the world."

Dr. Albert Collier, a pediatrician at the University of North Carolina, said the decision to drop studies of tobacco smoke could also hamper the agency's work on other pollutants.

"My opinion is that no matter what pollutant you study, you're going to have to have an indicator of cigarette smoke," Dr. Collier said. "It's certainly an important co-factor in whatever you do."

RTf 01/07 0932 Philip Morris<MO.N>sees 20 pct net increase in '92

NEW YORK, Jan 7, Reuter - A Philip Morris Companies Inc spokesman said that the company expects to report a 20 pct earnings per share increase in 1992 to \$5.45 per share.

He also said that while Philip Morris expects the environment in 1993 to be as challenging as in 1992, the company is budgeting for, and expecting, a "strong" year for all of its businesses.

According to the spokesman, the company's businesses performed well in 1992 in the face of very difficult economic circumstances in the U.S. and elsewhere around the world.

"We are encouraged by recent retail sales trends for Marlboro as well as the recent narrowing of the price difference between discount and premium brands," he said.

He said the company believes the recent weakness in the price of its stock is based on an overreaction to "exaggerated" and "negative" media accounts of tobacco industry issues. He also said Morris plans to continue to buyback shares as part of its previously announced program.

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Today's debate is on **SECONDHAND SMOKE**  
—and whether non-smokers should be protected from it.

# Ban hazardous smoking; report shows it's a killer

**OUR VIEW** The public deserves protection from secondhand smoke that injures and kills.

Cigarette smoke doesn't just make non-smokers cough. It kills them.

That's a fact the tobacco industry has been trying to put a lid on. For almost two years, its political muscle kept the Environmental Protection Agency from releasing its study on the effects of secondhand tobacco smoke. But today the ugly facts come out: Secondhand smoke injures and kills.

The overdue EPA report estimates that secondhand smoke causes 3,000 lung-cancer deaths a year among non-smokers. It finds hundreds of thousands of children suffer pneumonia, bronchitis, middle-ear infections and asthma attacks from secondhand smoke.

And that's not the only toll.

The EPA report sticks to respiratory dangers; it doesn't go into the links of secondhand smoke to heart disease.

The American Heart Association last August concluded that between 35,000 and 40,000 heart-disease deaths a year are linked to secondhand smoke. That's

more than are killed by murderers or by drunken drivers on the highway.

The EPA must study that threat and let the public know the full extent of tobacco's dangers.

But enough already is known for the Occupational Safety and Health Administration to protect workers from secondhand smoke. It does that now for other carcinogens, such as benzene and asbestos, by barring employers from letting them into the workplace air. Where tobacco smoke is a threat, it should be treated the same way.

State and local governments and employers can help clear the air, too.

Five states have no restrictions on smoking and many others only weak ones to protect people in restaurants, airports and other public places.

Three-fifths of schools, to which children must go each day, have yet to ban smoking. Two-thirds of businesses lack rules to keep the air safe.

With today's EPA report, there's no excuse not to enact smoking bans in confined spaces. Secondhand smoke is a killer. It can't be allowed to linger.

► Cover story, 1A

## EPA doesn't prove harm

**OPPOSING VIEW** EPA's weak and flawed study lends no justification for additional smoking restrictions.

Experts commissioned by EPA recently criticized the Agency for Science of "uneven quality" and cautioned against science "adjusted to fit policy."

Today's EPA report on environmental tobacco smoke — ETS — provides a striking example of what the experts warned against. And, to use the report to justify additional smoking restrictions would be an example of promoting policy on the basis of adjusted science.

The report ignores the fact that of the 30 worldwide studies reviewed, 24 fail to report a statistically significant increased risk between ETS and lung cancer. Of the 11 U.S. studies combined in the report, not one originally reported a statis-

tically significant increased risk.

Today's report also fails to include data from one of the largest U.S. studies ever conducted. Reporting no statistically significant increase in risk, this recently published study was sponsored in part by the National Cancer Institute. If data from this and other, newer studies were included, EPA's conclusions would be further exposed as void.

No other substance has been classified as a Group A carcinogen based exclusively on such weak and unconvincing data or on supposed "similarities" to other substances. If ETS can be classified as a "carcinogen" on the basis that it contains substances similar to those to which smokers are exposed, then the air in offices and homes, drinking water, hamburgers and peanut butter might contain those substances.

So far as the respiratory health of children is concerned, the EPA staff itself conceded in an earlier draft that the available data are inadequate to assign a causal role to ETS.

There is still plenty of room — and ample justification — for accommodating both smokers and non-smokers.



By Brennan Dawson, vice president of The Tobacco Institute

THE RECORD, THURSDAY, JANUARY 7, 1993

## WASHINGTON

### EPA dropped tobacco from pollution study

**NEW YORK** — The Environmental Protection Agency has quietly dropped tobacco from its studies of indoor air pollutants, a move that critics said was made in response to pressure from the tobacco industry.

EPA officials confirmed that tobacco research had been dropped, but denied doing so because of industry pressure.

Separately, Peter Guerrero, associate director of the General Accounting Office, the investigative arm of Congress, said his office had launched two investigations of the EPA's secondhand smoke studies.

The termination of the tobacco research program occurred two years ago, just as the EPA was completing the first draft of a report on secondhand smoke and lung cancer that is being released with great fanfare today.

The decision to halt the program was not widely known. Critics said the release of the lung cancer report prompted them to speak out.

Until the end of 1990, the agency conducted experiments on cigarette smoke as part of its indoor air research program, based in North Carolina. The program was one of the largest federal research efforts on the health effects of secondhand smoke, said the EPA's Peter Preuss.

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# TOBACCO/SMOKING TAXES/LITIGATION

THE WALL STREET JOURNAL WEDNESDAY, JANUARY 6, 1993

## What's News—

### World-Wide

**THE EPA DECLARED** that "passive" tobacco smoke is a human lung carcinogen.

The finding, to be issued tomorrow, is likely to generate demands for drastic new curbs on smoking in workplaces and public areas. The agency also found that for children, exposure to passive smoke in-

(Front Page)

creases the risk of bronchitis and pneumonia, asthma, and problems in the ear and lungs. The report "will have profound reverberations in the country," according to EPA chief Reilly. (Article on Page B1)

*Reilly last month said that a decision to declare passive smoke an environmental health risk could substantially increase the legal liability of businesses.*

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THE WALL STREET JOURNAL.

# MARKETPLACE

## EPA Declares 'Passive' Smoke a Human Carcinogen

By TIMOTHY NOAH

Staff Reporter of THE WALL STREET JOURNAL  
WASHINGTON — The Environmental Protection Agency has concluded that "passive" tobacco smoke is a human lung carcinogen, a decision that is likely to generate demands for drastic new curbs on smoking in workplaces and public places.

The EPA also found that for young children, exposure to passive smoke increases risk of bronchitis and pneumonia, asthma, and disturbances in the middle ear and lungs.

The report caps two years of wrangling

### HEALTH

between the EPA and tobacco companies over the dangers of passive smoking and may prod the federal Occupational Safety and Health Administration to craft tighter regulations on smoking in the workplace. But its ultimate impact will depend on the eagerness of the incoming Clinton administration to tackle the issue and the ability of lawyers to exploit a potentially lucrative new area of liability for companies

that allow smoking on their premises.

The findings are in a final report to be issued by the EPA tomorrow. The report, which follows a series of drafts on the health effects of tobacco smoke on non-smokers, "will have profound reverberations in the country," according to departing EPA administrator William Reilly. In an interview last month, Mr. Reilly pre-

(Cont'd.)

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NEW YORK POST, WEDNESDAY, JANUARY 6, 1993

# Business

## Dow slips 1.35, buck falls

By CLAUDIA CARPENTER

Stocks went down in a cloud of smoke yesterday.

The Dow Jones industrial average lost 1.35 points to 3,307.87 as Philip Morris was burned 2% to 73½ on worries about a possible doubling in New York State's tax on cigarettes. Also, an EPA report

due out tomorrow will classify secondhand smoke as a carcinogen. Philip Morris, which makes Marlboro, was the most active among the 30 DJIA stocks, at 5.1 million shares. RJR Nabisco, which makes Winston, fell ¼ to 8%.

THE NEW YORK TIMES, WEDNESDAY, JANUARY 6, 1993

## Dow Off 1.35, to 3,307.87, in Heavy Trading

By ALLEN R. MYERSON

Investors fled medical and consumer stocks yesterday for some energetic cyclical and technology issues, but their flight left the market averages little changed.

The Dow fell 1.35 points, to 3,307.87, on heavy volume, but Big Board advances outnumbered declines.

To an extent, yesterday's action continued a course that began last fall, with many cyclical stocks showing more life than consumer mass-marketers.

### Confidence in Recovery

"The market was telling us that we have a sustainable recovery under way," said Stefan D. Abrams, a portfolio manager at the Trust Company

of the West. "It would be a great mistake for any investor to radically change his strategy just because he's signing his checks 1993 instead of 1992."

Philip Morris, the nation's largest maker of consumer products, was by far the biggest loser among Dow stocks, falling 2%, to 73½, in hectic trading after reports that Gov. Mario M. Cuomo of New York wanted to raise the state's cigarette tax to 75 cents a pack, from 35 cents. An analyst added to the damage by saying that smokers would continue to desert the company's Marlboro cigarettes for cheaper brands.

Other tobacco, food and beverage stocks also slid, with Coca-Cola off ¼.

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(Cont'd.)

dicted that the report would represent "one of the biggest decisions I ever will make."

In the interview, Mr. Reilly said that an EPA decision to declare passive smoke an environmental health risk could substantially increase the legal liability of businesses. "If you were running a bar or an airline or a body shop or whatever," he said, "and you saw your people smoking, or you allowed customers to smoke, you'd be opening yourself up 10 years, 15 years later to lawsuits. And people would be able to say you knew you were exposing us to cancer. There wasn't any doubt about the issue. The government has spoken on the question."

But Steve Parrish, senior vice president for external affairs at Philip Morris Cos., Philip Morris U.S.A., disputes Mr. Reilly's conclusion, declaring, "there is no statistically significant increased risk of lung cancer from exposure to passive smoke or environmental tobacco smoke in social settings." He predicts legal challenges would fail because "one of the important things that somebody is going to have to show to win a lawsuit is causation."

Since the initial draft of the report was released in 1990, tobacco interests and supporters in Congress such as Democratic Rep. Thomas Bliley Jr. of Virginia have quarreled relentlessly with its conclusions. "There is a mind-set that we want to discourage people from smoking," Mr.

Parrish says. "If one of the things that supports that is to make claims about the health effects" of passive smoking, he says, then the EPA is willing to "make those claims and adjust the science to fit the policy."

But an EPA official says that the report eliminated a previously planned section on passive smoking and heart disease because agency scientists found the link didn't appear to be as great as that between passive smoking and lung cancer. Previous studies have shown that individuals who smoke cigarettes have a greater risk of heart disease.

According to the report, passive smoke is responsible for about 3,000 lung cancer deaths each year in the U.S. In addition, the report estimates that nonsmokers' exposure to smoke translates into between 150,000 and 300,000 cases of bronchitis and pneumonia every year in young children aged up to 18 months. Between 7,500 and 15,000 of these cases result in hospitalization, the EPA report says.

The report says that passive smoke worsens asthma symptoms for 200,000 to one million children yearly and increases the chances that children who don't have asthma will get it. It also states that exposure to tobacco smoke can increase fluid in the middle ear, leading to infection.

The findings regarding children will likely have the greatest immediate impact, says Cliff Douglas, tobacco policy director for the Advocacy Institute, a nonprofit group focusing on consumer, health and safety issues. "In the long run, I think this will lead to elimination of smoking in public places and in the workplace," he says, but "in the short run, it should certainly lead to elimination of smoking in all locations where children face exposure."

Antismoking activists likely will use the report to press state legislatures to ban smoking at day care centers, preschools and schools. "Many states have no requirements whatsoever," says Fran

DuMelle, deputy managing director of the American Lung Association. Ms. DuMelle also foresees "more and more public places that restrict smoking, worksites in particular." She says the report's impact will likely be greater on schools and workplaces than on such public places as bars and restaurants because the greatest risk from passive smoking comes with repeated daily exposure. Currently, 44 states have some form of restriction on smoking at worksites.

The report also is expected to put additional pressure on OSHA to ban smoking in the workplace. OSHA has issued a "request for information" calling for public comment on whether it should issue a rule governing indoor air quality, including the impact of passive smoke. But it has been slow to move on the matter; the request for information was published in the Federal Register more than a year ago, and OSHA hasn't yet fixed a deadline by which it will decide whether it will issue a regulation.

"Certainly the information in the EPA report will be helpful in that process," says OSHA spokesman Douglas Fuller, but "we'll have to wait to see what the report says." He adds that the fate of any rule will be determined by the incoming Clinton administration.

In the interview last month, Mr. Reilly said EPA had put together an "office policy guide" on how to create a smoke-free office environment, but he had decided not to release it because it would "look like we're trying to torque the science, and I think the science will be compelling enough." He said the guide could be issued later, by his successor, Carol Browner. He also said that "I don't think you'll even need OSHA" to follow through on the EPA report for it to have an impact. "I think really the liability question will drive it."

THE NEW YORK TIMES, WEDNESDAY, JANUARY 6, 1993

## U.S. to Term Secondary Smoke a Cancer Peril

By The Associated Press

The Environmental Protection Agency will release a long-delayed report concluding that secondhand cigarette smoke is a human carcinogen and causes about 3,000 lung-cancer deaths a year in nonsmokers, agency officials said yesterday.

The report, to be made public tomorrow, also concludes that secondhand smoke increases the risk of pneumonia and bronchitis in children.

Release of the report, after more than two years of revisions, could lead to Federal, state and local regulations limiting smoking in public places, health advocates said.

"Having the E.P.A.'s imprimatur on this is extremely important," said Dr.

Alfred Munzer, a spokesman for the Coalition on Smoking or Health, which includes the American Lung Association, the American Heart Association and the American Cancer Society. "We believe this will motivate state governments and local governments to enact further regulations limiting smoking in public places."

The report could also prod the Occupational Safety and Health Administration to regulate smoking in the workplace, health advocates said.

Douglas Fuller, a spokesman for the agency, called on President Bush to use the report to justify an order to restrict smoking in Federal buildings. "This is far less controversial than the pardons he has issued," Mr. Munzer said, "and

would do a tremendous amount for the public health."

The report concludes that secondhand smoke is a proven human carcinogen, putting it in the same class as asbestos, benzene and radon, officials of the environmental agency said.

The report will be made public in Washington by William K. Reilly, administrator of the environmental agency, and Louis W. Sullivan, Secretary of Health and Human Services, an E.P.A. spokesman said.

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# Secondhand Smoke Peril Affirmed

## EPA Move to Endorse Report on Cigarettes May Affect Workplace

By Tom Kenworthy  
Washington Post Staff Writer

In a long-delayed decision that eventually could have a major impact on the American workplace, the Environmental Protection Agency will conclude officially Thursday that exposure to "second-hand" cigarette smoke causes lung cancer in adults and greatly increases the risk of respiratory illnesses in children.

EPA administrator William K. Reilly's endorsement of a report by a panel of scientific advisers to the agency will end a contentious two-year review of the issue during which the panel's evidence and conclusions have been denounced repeatedly by the tobacco industry.

The EPA's endorsement of the scientific panel's findings will have no immediate practical impact, because the agency has no authority to regulate indoor air pollution. But the move could have a significant influence on how local governments and the federal Occupational Safety and Health Administration (OSHA) adopt and enforce workplace anti-smoking rules.

OSHA is in the early stages of soliciting information on indoor air quality, a process that could lead to new federal rules on air pollution in the workplace. An OSHA spokesman said yesterday that "it's too early to tell" what the impact will be of the EPA's designation of passive tobacco smoke as a human carcinogen, but said the report will "feed into the process" of workplace rule-making now underway at the agency.

The EPA's scientific advisory panel finished its review of the subject in

late October, approving a report that concludes that environmental tobacco smoke (ETS) is a "Class A" human carcinogen—a group that includes a handful of substances such as asbestos, arsenic and benzene. ETS, the panel estimated from a variety of studies, annually causes the lung cancer deaths of approximately 3,000 U.S. adults.

The report also blames second-hand smoke for hundreds of thousands of cases of childhood respiratory illnesses such as bronchitis and pneumonia and for increasing the severity of asthma attacks in children.

Public health advocates hailed the news that EPA would take the final step in endorsing the scientific panel's conclusions, which is scheduled to take place at a news conference with Reilly and Health and Human Services Secretary Louis W. Sullivan Thursday.

"This really puts the EPA imprimatur on something the public has known for a long time—that is, that secondhand smoke is dangerous, that tobacco smoke, whether inhaled from one's own cigarette or someone else's cigarette, is basically the same product," said Alfred Munzer, a Washington-area lung specialist who is the incoming president of the American Lung Association.

Munzer said the EPA's endorsement could provide "further impetus" for the passage of workplace smoking bans by local and state governments. He also urged President Bush to ban smoking in all federal buildings by executive order.

Tom Borelli, director of scientific affairs for cigarette maker Philip Morris Cos. Inc., said that EPA's statistical basis for assessing the risk of environmental tobacco smoke was flawed and that the agency ignored studies that conclude that the risk of secondhand smoke is statistically insignificant.

"They've adjusted the science to

fit policy," said Borelli. "Clearly any issue dealing with tobacco is a very, very emotional issue. Sometimes emotion can override science. This [report] is politically correct."

Borelli said the EPA used a recently popular statistical technique called meta-analysis—integrating the findings of many studies of different designs into a single result. "This was a precedent-setting risk assessment, the first time EPA ever used meta-analysis," said Borelli.

An EPA official disputed Borelli's criticism, saying the agency had used the meta-analysis technique at least once previously.

In its final draft of the report, the EPA's scientific advisory committee, which twice reviewed the overall conclusions and methodology, defended its work: "The revised draft has an improved presentation, discussion and analysis of ETS as a lung carcinogen . . . . The committee was unanimous in endorsing this classification."

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## News Digest

### Secondary Smoke Kills, EPA Report Concludes

The Environmental Protection Agency will release a report concluding that secondhand cigarette smoke is a human carcinogen and causes about

3,000 lung-cancer deaths a year in nonsmokers. The report also says secondhand smoke increases the risk of pneumonia and bronchitis in children.

— See story / page 7

(Front Page)

## Secondhand Smoke Is A Killer, Says Long-Delayed EPA Report

NEW YORK (AP) — The Environmental Protection Agency will release a long-delayed report concluding that secondhand cigarette smoke is a human carcinogen and causes about 3,000 lung-cancer deaths a year in nonsmokers, EPA officials said yesterday.

The report, to be released tomorrow, also concludes that secondhand smoke increases the risk of pneumonia and bronchitis in children.

Release of the report, after more than two years of revisions, could trigger an avalanche of federal, state and local regulations limiting smoking in public places, health advocates said.

"Having the EPA's imprimatur on this is extremely important," said Dr. Alfred Munzer, a spokesman for the Coalition on Smoking or Health, which includes the American Lung Association, the American Heart Association and the American Cancer Society.

"We believe this will motivate state governments, local governments to enact further regulations limiting smoking in public places."

The report also could prod the Occupational Safety and Health Administration to regulate smoking in the workplace, health advocates said. Douglas Fuller, an OSHA spokesman, said the agency would weigh the EPA report carefully in its deliberations.

Munzer called on President Bush to use the report to justify an order to restrict smoking in federal buildings. "This is far less controversial than the pardons he has issued and would do a tremendous amount for the public health," Munzer said.

The report concludes that secondhand smoke is a proven human carcinogen, putting it in the same class as asbestos, benzene and radon, EPA officials said.

The report's authors determined

that cigarette smoke causes about 3,000 lung cancer deaths in nonsmokers annually, and that it increases the risk of pneumonia, bronchitis, and middle-ear disorders in children. The report also concludes that cigarette smoke increases the severity and frequency of asthma in children, EPA officials said.

The EPA has decided to kill a second report that links secondhand smoke to 37,000 heart-disease deaths annually, said Robert Axelrad, head of the EPA's indoor-air division. The report originally was conceived to be a companion to the lung-cancer report.

The link between cigarette smoke and heart disease is considered even more explosive than the lung-cancer link, because cigarette smoke causes roughly 10 times as many heart-disease as lung-cancer deaths.

The heart association has petitioned the EPA to do its own study of secondhand smoke and heart disease, but the agency hasn't responded. "We have not made a decision to do so at this time," Axelrad said.

The lung-cancer report was the focus of a massive lobbying campaign by the tobacco industry and its allies in Congress, who submitted hundreds of pages of documents to the EPA during the past two years in an effort to delay or water down the report.

Despite the attack, the EPA refused to back away from its condemnation of tobacco smoke as a human carcinogen and a dangerous indoor-air pollutant, said EPA officials who worked on the report.

Brennan Dawson, a spokeswoman for the Tobacco Institute, said that despite the report's revisions, its conclusions were still not supported by existing scientific data. "Any number of independent world-renowned experts have looked at this report and said the EPA has mischaracterized and manipulated the data."

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NEW YORK POST, WEDNESDAY, JANUARY 6, 1993

## 2nd-hand cigarette smoke kills 3,000 a yr., study says

Post Wire Services

Secondhand cigarette smoke causes about 3,000 lung-cancer deaths a year in non-smokers, according to a long-delayed federal report that will be released this week.

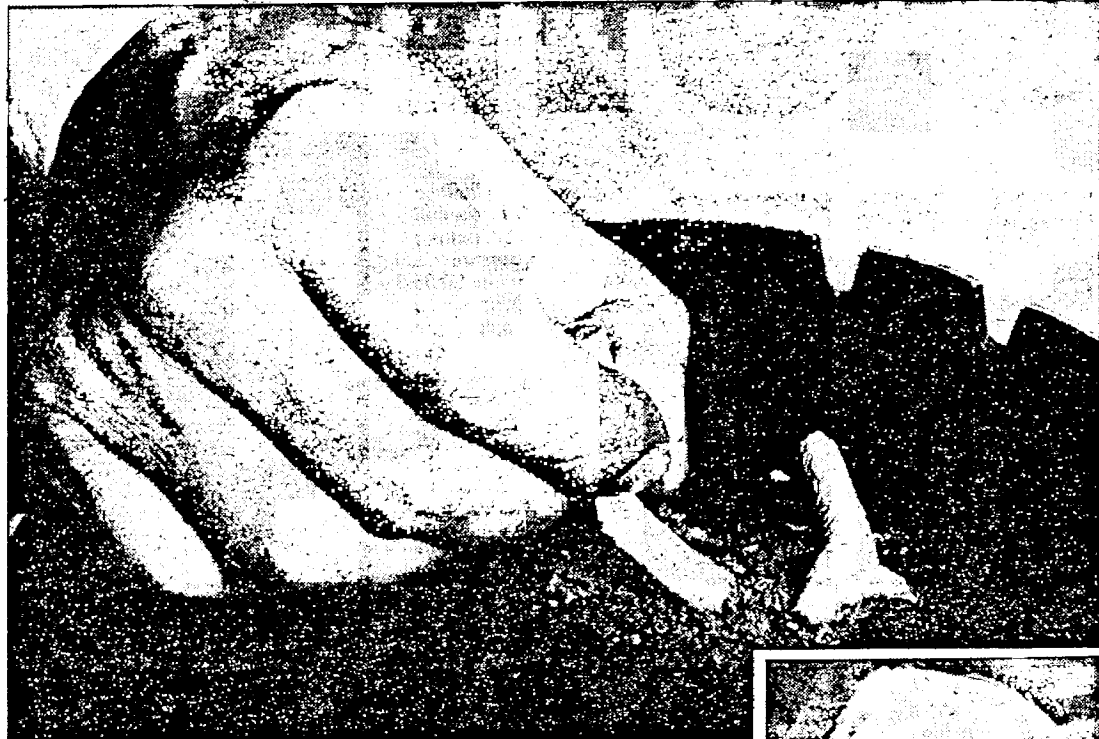
The report by the Environmental Protection Administration, after two years of revisions, concludes that secondhand smoke is a human carcinogen — putting it in the same class as asbestos, benzene and radon.

Release of the report tomorrow could trigger an avalanche of federal, state and local regulations limiting smoking in public places, health advocates said.

"Having the EPA's imprimatur on this is extremely important," said Dr. Alfred Munzer, a spokesman for the Coalition on Smoking or Health, which includes the American Lung Association, the American Heart Association and the American Cancer Society.

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The report's authors determined that cigarette smoke causes about 3,000 lung-cancer deaths in non-smokers annually, and that it increases the risk of pneumonia, bronchitis, and middle-ear disorders in children.

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Despite the attack, the EPA refused to back away from its condemnation of tobacco smoke as a human carcinogen and a dangerous indoor-air pollutant, said EPA officials.

**BUTT OUT!**  
Next time you puff away (right), you might think about the others you're affecting — or you might just put it out (above).



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WEDNESDAY, JANUARY 6, 1993 • USA TODAY

THE BOSTON HERALD, TUESDAY, JANUARY 5, 1993

# EPA to affirm passive smoke as cancer risk

By Anita Manning  
USA TODAY

An Environmental Protection Agency report to be released Thursday will say secondhand cigarette smoke causes cancer and is a significant threat to children's health, says the Coalition on Smoking or Health.

The report, to be released after two years of revisions and intense debate, puts secondhand tobacco smoke in the same category of carcinogens as asbestos and radon and says it will kill about 3,000 non-smokers this year.

The EPA report calls secondhand smoke "a significant risk factor in respiratory infections, middle ear infections and asthma in children," says Fran DuMelle of the coalition, which includes the American Lung Association, the American Heart Association and the American Cancer Society.

She hopes the report will lead to laws restricting tobacco use indoors, especially in schools and day-care centers.

Health advocates say it may prompt action by the Occupational Safety and Health Administration to restrict smoking where people work.

Opponents continue to question the scientific validity of the report. "You can't just jettison the science to do the politically correct thing," says John Shanahan, environmental analyst at The Heritage Foundation, Washington, D.C.

Executives of Philip Morris U.S.A. have called a news conference for today to discuss what they termed EPA's "flawed risk assessment on environmental tobacco smoke."

# EPA to link passive smoke, cancer

## Agency's move expected to spark regulation debate

By NICK TATE

The Environmental Protection Agency is planning to approve a controversial new advisory board's recommendation this week declaring secondhand tobacco smoke a known human carcinogen and a significant health hazard to children.

EPA sources confirmed yesterday EPA Administrator William K. Reilly, in one of his last major actions, will sign a report by EPA's Science Advisory Board designating environmental tobacco smoke (ETS) a "Group A" carcinogen — a distinction now shared by fewer than 10 substances, including arsenic and asbestos.

According to a draft summary of the report,  
Turn to Page 16

(Cont'd.)

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# EPA to link 2nd-hand smoke, cancer

From Page 1

obtained by the Herald, the panel of scientific researchers concluded second-hand smoke causes 2,500 to 3,300 lung cancer deaths among nonsmokers and up to 300,000 lower respiratory tract infections among children a year.

"This is the final risk assessment," said EPA spokesman John Kasper, who noted the report has undergone several revisions and peer reviews since 1990. "(Reilly) will sign it and it will become an official document."

Kasper and other EPA officials acknowledged it is unclear what practical impact the report's approval will have because the federal agency has no authority to regulate indoor air pollutants.

But several researchers, including a member of the advisory board's executive review committee, said the EPA action will increase the debate over the federal government's role in regulating secondhand smoke and other dangerous indoor air pollutants, such as radon.

Health experts also said the report will almost certainly drive

new efforts by anti-smoking forces to push for local, state and federal limits on smoking in workplaces and public buildings.

"I think this is significant because EPA has a mandate to be concerned about the health of the nation's citizens and the things that affect the nation's health,"

haf, executive director of the anti-smoking organization Action on Smoking and Health, argued the report would give organizations like his new ammunition to persuade legislative bodies at the state, local and federal level to seek widespread bans on smoking indoors.

**"This is basically saying EPA believes it has been clearly established that passive smoking causes lung cancer and other diseases."**

**— Dr. S. Katharine Hammond**

said Dr. S. Katharine Hammond, a consultant to the advisory board and a secondhand smoke researcher at the University of Massachusetts Medical School in Worcester.

"This is basically saying EPA believes it has been clearly established that passive smoking causes lung cancer and other diseases," she added. John F. Banz-

He predicted the report could bring about major changes in such places as restaurants, many of which now have separate smoking and nonsmoking sections but which in the future may have to ban smoking. He has also suggested it could affect child custody case settlements and lead to court orders prohibiting smoking in homes with children.

MaryBeth Smuts, a toxicologist in EPA's regional New England office, said Reilly's decision raises a number of thorny public policy questions — not only for EPA but also for the Department of Health and Human Services, and the Occupational Safety and Health Administration.

In the short term, Smuts expects EPA will step up public-information campaigns — modeled after EPA's radon advisories — to discourage smoking, especially in the presence of children.

She also said federal health officials, who are slated to join Reilly Thursday in announcing the decision, plan to work with state health departments to step up efforts regarding secondhand smoke.

Studies linking secondhand smoke to health problems have been growing since 1986, when the surgeon general released a landmark report tying passive smoking to lung cancer and other ailments.

In recent years, the American Heart Association has tied secondhand smoke to as many as 35,000 deaths a year due to heart disease.

(Other coverage available upon request.)

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Thursday, January 7, 1993

Contact: SINIKKA SARRO, (212) 880-3454  
FAX No. (212) 907-5502

## TOBACCO/SMOKING/FINANCIAL

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#### TOBACCO/SMOKING/FINANCIAL

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USA TODAY • THURSDAY, JANUARY 7, 1993 (Front Page)



By Marcia Staimer,  
USA TODAY

### COVER STORY

# Smoke report may change public habits

'When you  
start dealing  
with people's  
rights, I  
have a lot  
of trouble'

By Anita Manning  
USA TODAY

This is not a happy day for the USA's 50 million smokers. An Environmental Protection Agency report, due out today, calls secondhand smoke a cancer-causing agent that will kill about 3,000 nonsmokers every year.

The EPA's conclusions have the tobacco industry fuming about bad science and flawed methodology. "The available science does not support EPA's conclusion," says Thomas Borelli of Philip Morris.

(Cont'd.)

THE WALL STREET JOURNAL THURSDAY, JANUARY 7, 1993

### NEW YORK STOCK EXCHANGE COMPOSITE TRANSACTIONS

52 Weeks				Yld			Vol			Net	
Hi	Lo	Stock	Sym	Div	%	PE	100s	Hi	Lo	Close	Chg
16%	13%	PhilaSub	PSC	1.04	6.4	26	93	16%	16	16 1/4	+ 1/8
86%	69 1/2	PhilipMor	MO	2.60	3.6	15	94439	73 1/4	70	71 7/8	-1 1/8
21 1/8	9 3/8	PhilipSV	PHG				1856	11 7/8	11 1/4	11 1/8	+ 1/4
26%	25	Phillips pA					409	26 1/4	26	26 1/8	- 1/8

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(Cont'd.)

That charge is "a bunch of baloney," says Stanton Glantz of the Institute of Health Policy Studies. The EPA study is "an exemplary, well-done piece of science."

Whichever view they support, health advocates and critics alike believe the report will add fuel to the bonfire of speculation about stricter laws governing where and when — and around whom — smokers can light up.

"You can bet your next paycheck that OSHA (the Occu-

pational Safety and Health Administration) will ban all smoking in the workplace," says John Shanahan, environmental policy analyst at The Heritage Foundation, a Washington, D.C., public policy institute.

Smokers, looking for a legal place to light up, are also being called on to pay more for the privilege.

The American Heart Association, the American Lung Association and the American Cancer Society Wednesday urged Congress to raise the federal excise tax on cigarettes by about \$2 a pack, from 24 cents.

The groups, saying the health-care costs of smoking are \$65 billion a year, also joined the call for laws to ban smoking in public places.

Imagine smoke-free bars.

"I could definitely see where we would lose people because of that," says Robyn McAllister, manager of the Westside Lanes bowling center and lounge in Missoula, Mont.

"I don't smoke and I would just as soon nobody smoke, but in a bar that would hamper business," she says.

Many bowlers would welcome a smoking ban, she says, noting that there's a ladies league that bowls smoke-free one morning a week.

"But the Thursday night men's league, they would protest," McAllister says. "They would leave. They wouldn't even bowl."

Smokers are already feeling abused, says Sam Scarfone, who manages 30 employees at a water company in Media, Pa.

The EPA report "sort of upsets me. I try to be a courteous smoker, not to smoke in places you're not supposed to," he says.

But the thought that an OSHA regulation might mean he could no longer retreat to his office for a nerve-steadying smoke is just too much: "I mean, the sanctity of your office, you should be able to do what you want. It's like you're being persecuted."

Smokers' right to puff vs. non-smokers' right to clean air is an issue of frequent conversation at the Sky Top Supper Club in Green Bay, Wis., where Steve Krawczyk has tended bar for 16 years.

A nonsmoker himself, he says he has gone home many a night with burning eyes. But he believes government regulations on smoking indoors just won't work.

Krawczyk thinks smokers would form their own private clubs, away from the prying eyes of bureaucrats.

"The risk (of cancer) is definitely there, but ... when you start dealing with people's rights, I have a lot of trouble with that," he says.

That sentiment is music to the ears of the tobacco industry, which remains steadfast in its view that secondhand smoke poses no increased risk of lung cancer to nonsmokers.

It also disputes an EPA conclusion that passive smoke is a "significant risk factor" in children's health, causing up to 1 million asthmatic attacks, hundreds of thousands of respiratory infections and tens of thousands of needless hospitalizations each year.

Divorce lawyers say the EPA report will very likely influence child custody decisions and visitation rights in cases where a parent or the new spouse of a parent is a smoker.

"This will become a more significant factor, just as schooling is a significant factor," says family law specialist Kenneth Raggio of Dallas.

Philip Morris' Borelli, father of two young children, admits he doesn't smoke in close confinement with his children because the smoke bothers them. "They wave their hands at me. Sometimes my dog barks at me."

But, he says, "if one looks at the underlying scientific information, we believe the scientific evidence is not there to justify the EPA's claim."

The major points of contention:

► The statistics. The EPA, Borelli says, "combined several small studies into one big study and came up with a statistically significant risk."

He says the degree of risk from secondhand smoke is lower than the risk of contracting rectal cancer from chlorinated drinking water.

He also cites the EPA's changing of the "confidence interval," a measure of statistical probability, from 95% to 90%.

By playing with the numbers, he says, the scientists made it easier to get statistically significant results.

But Glantz says the EPA's methods are "totally reasonable and consistent with acceptable scientific procedure."

The criticism regarding the 5% difference in confidence level is a kind of "hairsplitting that only professors care about," he says.

"There's just no question but that secondhand smoke causes lung cancer. ... The tobacco companies should just once accept the truth."

► The missing study. The Tobacco Institute, an industry group, says the EPA did not include in its report a study published in the *American Journal of Public Health* in November 1992.

The institute says that study, funded by the National Cancer Institute, found no statistically significant increase in risk of lung cancer among nonsmokers.

While the EPA declined comment on its report until its release, Dr. Ross Brownson, who wrote the NCI study, is disturbed by its use by the tobacco industry.

Brownson, of the Missouri Department of Health, says he did find and report "an elevation in risk in women exposed to high levels" of secondary smoke.

Women who were exposed to what he called "40 pack-years" of secondary cigarette smoke — a pack a day for 40 years or two packs a day for 20 years — "had an increased risk (of lung cancer) of 30%."

Lower exposures did not show an increased risk, but the study did support efforts to limit passive smoke.

"I know one of the criticisms is (the EPA) didn't include our study," he says, but "they had to cut it someplace. ... I think they've done a good job. I commend the EPA. They've had a long and hard battle."

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JAN 07 1993

DOW WIRE SERVICE

\*PHILIP MORRIS SEES  
1992 NET \$5.45 A SHR >MO

-- 9 09 AM EST 01-07-93

\*PHILIP MORRIS SEES  
1992 NET UP 20% >MO

-- 9 10 AM EST 01-07-93

PHILIP MORRIS OUTLOOK -2-:  
SEES STRONG YEAR IN '93 >MO

NEW YORK -DJ- HANS STORR, EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER OF PHILIP MORRIS COS. (MO) WILL ANNOUNCE IN A MEETING WITH ANALYSTS IN LOS ANGELES TODAY THAT THE COMPANY EXPECTS TO REPORT EARNINGS PER SHARE OF \$5.45, AN INCREASE OF 20% COMPARED TO A YEAR AGO.

IN A PRESS RELEASE, STORR SAID, "WHILE THE ENVIRONMENT IN 1993 WILL BE AS CHALLENGING AS IN 1992, WE ARE BUDGETING FOR AND EXPECTING A STRONG YEAR FOR ALL OF OUR BUSINESSES.

"WE ARE ENCOURAGED BY RECENT RETAIL SALES TRENDS FOR MARLBORO AS WELL AS THE RECENT NARROWING OF THE PRICE DIFFERENCE BETWEEN DISCOUNT AND PREMIUM BRANDS."

STORR SAID HE BELIEVES THE RECENT WEAKNESS IN THE PRICE OF THE COMPANY'S STOCK IS THE RESULT OF AN OVERREACTION TO EXAGGERATED AND NEGATIVE MEDIA ACCOUNTS OF TOBACCO INDUSTRY ISSUES.

STORR ALSO SAID THE COMPANY PLANS TO CONTINUE TO REPURCHASE ITS SHARES. PHILIP MORRIS HAS \$2.3 BILLION OF STOCK REPURCHASE AUTHORITY REMAINING UNDER ITS CURRENT PROGRAM. IN 1992, ABOUT 32.1 MILLION SHARES WERE REPURCHASED AT A TOTAL COST OF ABOUT \$2.47 BILLION. THE COMPANY SAID.

-0- 9 37 AM EST 01-07-93

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## DOW WIRE SERVICE

PHILIP MORRIS -3- ANALYSTS  
CALL REPORT MISLEADING >MO

SANFORD C. BERNSTEIN ANALYST GARY BLACK'S REPORT THAT DESCRIBES MARLBORO BRAND MARKET SHARE AND VOLUME EROSION AS ''ALARMING'' IS MISLEADING. OTHER TOBACCO ANALYSTS SAY.

THE REPORT. HOWEVER. WAS AT LEAST PARTIALLY RESPONSIBLE FOR PHILIP MORRIS' SHARE PRICE DECLINE TODAY AND A SLUMP IN SHARE PRICES THROUGHOUT THE SECTOR. ACCORDING TO MARKET PLAYERS.

A RAFT OF BAD NEWS - ESPECIALLY A PREVIEW OF A LONG-EXPECTED GOVERNMENT REPORT CONCLUDING THAT PASSIVE SMOKE IS A CARCINOGEN - ALSO WAS CITED AS A REASON TOBACCO STOCKS TRADED LOWER.

THIS MORNING. FOR EXAMPLE. AMERICAN BRANDS INC. (AMB) FELL TO 38. SETTING A NEW 52-WEEK LOW. WHILE PHILIP MORRIS AT A LOW 70 EDGED CLOSER TO ITS 52-WEEK LOW OF 69 1/2.

BUT ANALYSTS SAY BLACK'S REPORT MIGHT BE MISLEADING BECAUSE IT IS BASED ON A.C. NIELSON CO. DATA GATHERED FROM ONLY SOME TYPES OF CIGARETTE VENDING OUTLETS.

''ONLY 25% OF CIGARETTE SALES GOES THROUGH NIELSON.'' KIDDER PEABODY & CO. ANALYST ROY BURRY SAYS. TERMING BLACK'S NUMBERS ''OVERSTATED'' AND ''MISLEADING.'' BURRY HAS A ''BUY'' RATING ON THE PHILIP MORRIS STOCK.

DEAN WITTER REYNOLDS INC. ANALYST LARRY ADELMAN AGREES THAT THE NUMBERS WERE OVERSTATED. SAYING THAT ON AN ANNUALIZED BASIS MARLBORO VOLUME IS DOWN 6%. HE RATES THE STOCK ''ACCUMULATE.''

BLACK REPORTED YESTERDAY THAT VOLUME AND MARKET SHARE OF PHILIP MORRIS' MARLBORO BRAND WERE DECLINING IN AN ALARMING FASHION. WITH THE WORST YEAR-TO-YEAR COMPARISONS COMING IN SEPTEMBER AND OCTOBER. WHEN VOLUME WAS DOWN 9%.

''MARLBORO'S 1992 SHARE LOSS (-1.1 POINTS) AND VOLUME DECLINE (-5%) ARE BY FAR THE BRAND'S WORST IN 10 YEARS.'' HE WROTE.

BLACK ALSO SAID THAT FOUR OF MARLBORO'S MIDPRICED BRANDS WOULD SUFFER VOLUME DECLINES OF 30% FOR 1992 FROM YEAR-AGO LEVELS AND MARKET SHARE DECLINES OF 5.3%.

PHILIP MORRIS OFFICIALS AREN'T AVAILABLE FOR COMMENT.

-0- 1 36 PM EST 01-06-93

2040982880

RTf 01/06 1329 EPA finding puts US tobacco stocks on defensive

By Ellen Freilich

NEW YORK, Jan 6, Reuter - Potential new curbs on smoking, higher taxes on cigarettes and declining consumption have put tobacco shares on the defensive this week, analysts said.

On Tuesday, the U.S. Environmental Protection Agency (EPA) declared "passive" tobacco smoke - smoke inhaled by people near a smoker - to be a human lung carcinogen.

Investors are concerned that the EPA decision will encourage new restrictions on smoking in public places, curbs that initial studies are showing lead to less smoking.

Analysts also cited recent newspaper reports that reminded investors that whenever states or the federal government wants to raise money, the consider new excise taxes on cigarettes.

Investors also remain worried about the rising popularity of ultra-low-priced cigarettes, known in the industry as "black and whites." As consumers choose the lower-priced cigarettes, the market for the more profitable, full-priced brands is losing ground, analysts said.

A focus for the concern about the market share being lost to well-known, brand-name cigarettes was a report by Sanford C. Bernstein, an investment firm, analysts said.

The Sanford C. Bernstein report is said to have argued that sales of Philip Morris Cos <MO.N> Marlboro cigarettes fell nine pct in 1992 from 1991. Sanford C. Bernstein's tobacco analyst was unavailable for comment.

Despite, and in some cases because of the recent selling, the investment community is not negative on tobacco shares. Instead, it is divided between positive and neutral stances.

"The selling is definitely overblown," said Morgan Stanley & Co analysts Howard Penney.

Penney said excise taxes and health concerns have long been accounted for when the market prices tobacco shares.

Since cigarette excise taxes went up in 1992, they probably will not do so in 1993, Penney said. But he said they will go up over time because "excise taxes are a fact of life."

Penney has buy recommendations on Philip Morris, RJR Nabisco <RN.N>, Loews Corp <LTR.N> and UST Inc <UST.N>. He has a hold on American Brands <AMB.N>.

John Maxwell, tobacco analyst at Wheat First Securities said all the tobacco companies "look pretty cheap here." He recommends Philip Morris, RJR, American Brands and UST Inc.

Dean Witter Reynolds analyst Lawrence Adelman no longer has Philip Morris <MO.N> on his firm's recommended list.

Adelman said he was concerned about the growth of the ultra-low-priced "black and white" cigarette market affecting the whole tobacco industry.

Wall Street is more sanguine about continued news that cigarettes are not good for people's health.

"Getting hit by a lot of bad news is typical of the history of tobacco stocks," Adelman said.

Analysts added that Philip Morris is arguing that the EPA's report showing that second-hand tobacco smoke causes cancer is not supported by scientific data and ignores recent research that goes contrary to its conclusions.

In early afternoon trading, Philip Morris was down 2-3/4 to 70-3/4 after dropping 2-7/8 Tuesday.

American Brands was down 1 to 38 after losing 5/8 a day earlier.

Loews was down 2-5/8 to 115-1/4 after falling two on Tuesday.

UST was down 3/4 to 31 after losing 1/4 a day earlier.

RJR Nabisco was down 1/4 to 8-1/4. It slipped 1/8 Tuesday.

REUTER

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RTT 01/06 1515 U.S. OPTIONS FOCUS/Philip Morris Cos &lt;MO.N&gt;

NEW YORK, Jan 4, Reuter - Philip Morris Cos options were active as the stock fell sharply in heavy trading of more than eight million shares.

After dropping to 70, Philip Morris shares were down 1-7/8 at 71-5/8 Wednesday afternoon.

The tobacco maker said the share decline recently was mainly due to fear the New York state would impose new cigarette excise taxes.

The Philip Morris March 75 call, with more than 6,250 contracts traded on the American Stock Exchange, was the most active call option among all options exchanges.

Among other options, the Philip Morris Jan 70 call traded nearly 2,200 contracts, the Jan 75 call 2,900, the Jan Feb 70 call 2,150 and the Feb 75 call about 2,700.

Philip Morris call option volume outpaced put volume, and Michael Schwartz, a senior vice president at Oppenheimer & Co, said some of the call activity could be from investors selling out positions for a profit.

"On a ratio basis you would expect puts to be more active, but you can still be bearish by selling naked calls," he explained.

REUTER

Investor's Business Daily

★

Thursday, January 7, 1993

## News Digest

### Tobacco Stocks Tumble Amid Damaging Study

Shares of major cigarette companies sold off on word of a new government report that implicates secondhand smoke in the deaths of 3,000 Ameri-

cans a year and other health problems. Philip Morris fell 1 1/2 to 71 1/2, American Brands 1 1/2 to 37 1/2 and Loews 1 1/2 to 116 1/4. - See story / this page

#### BUSINESS

## EPA Report, Tax Fears Hit Tobacco Issues Push For Additional Regulation May Come In Wake Of Study

By Cathleen Ferraro

Potential new curbs on smoking and the possibility of higher taxes on cigarettes put tobacco stocks on the defensive yesterday, though investors said the sell-off was misguided.

In trading, Philip Morris Cos. slumped 1 1/2 to 71 1/2 in heavy trading. It lost 2 1/2 Tuesday. Loews Corp. lost 1 1/2 to 116 1/4 and American Brands Cos. 1 1/2 to 37 1/2.

The furious selling followed a string of bad news for the cigarette industry, including the early release of the EPA report that concludes secondhand, or "passive," smoke causes as many as 3,000 lung cancer deaths annually and a host of ills in thousands of Americans.

The final version is expected out

today.

In addition, the Washington-based Coalition on Smoking or Health — a 10-year-old group formed by the American Cancer Society, the Lung Association and the American Heart Association — yesterday proposed several steps the Clinton administration should take to reduce tobacco-related disease and death.

The organization recommended banning smoking in all workplaces, a minimum \$2 a pack federal excise tax, (it's now 24 cents) and regulation of all tobacco products by the Food and Drug Administration.

In the past, consumer groups have sought unsuccessfully to have cigarettes categorized as a drug so that the FDA would be required to regulate the industry.

That could take cigarettes off the market for a time, since the FDA

typically takes one to three years to approve a drug.

Finally, talk of doubling New York's 39 cents state excise tax may have contributed to the tobacco stock dumping yesterday.

American Brands, maker of Lucky Strike cigarettes, refused to comment on the stock activity or the EPA report.

But Harry Hutzler, senior portfolio manager at AIM Weingarten fund, claims none of it will affect tobacco stocks.

"The dumping (of shares) has been overdone already," he said. "The EPA report will have very little impact on earnings because most of Philip Morris' (profits) come from overseas."

The nation's largest cigarette company reaped 65% of its worldwide profit from tobacco products in 1991. The remainder came from its Kraft

Continued on Next Page

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(Cont'd)

(Cont'd.)

# EPA Report, Tax Fears Hit Tobacco Issues

From page 1  
General Foods, Miller Brewing Co. and developer Mission Viejo Co. units.

Hutzler would not disclose the number of shares AIM Weingarten holds in Philip Morris, RJR Nabisco Inc. and Loews Corp., which makes Kent cigarettes.

Philip Morris shares, however, account for 4% of the fund, making it the portfolio's single largest holding. Hutzler said the fund did not sell any tobacco shares yesterday.

Together, Philip Morris and RJR claim more than 70% of the domestic market. Louisville, Ky.-based Brown & Williamson, a division of B.A.T Industries PLC, with an 11% share, is a distant No. 3 in the \$42 billion industry. It makes Kool and Eve cigarettes. ♦

The Tobacco Institute and Philip Morris officials argued yesterday the EPA report contained sloppy science and ignored a recent article in the American Journal of Public Health that, they contend, refutes the EPA findings.

Of the 30 EPA studies examining lung cancer rates among nonsmokers coming into contact with secondhand smoke, 24 showed little statistical difference in the rate at which lung cancer was contracted.

"And of the six where rates were higher, the (EPA) study did not look at other factors such as workplace exposure (to other carcinogens) or diet," said Thomas Borelli, director of scientific affairs at Philip Morris.

EPA officials were unavailable for comment yesterday. The agency has said

3,000 people a year develop lung cancer after inhaling smoke from other people's cigarettes, cigars and pipes.

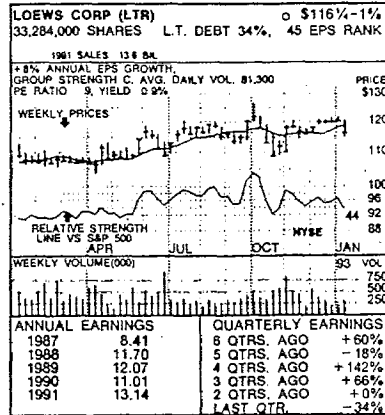
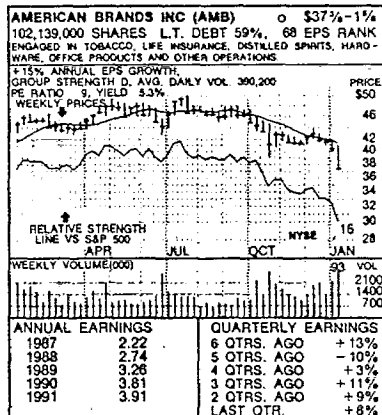
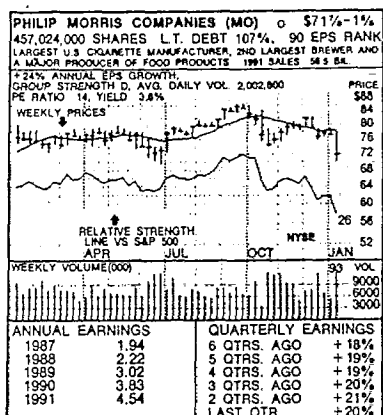
The American Cancer Society estimates about 9,000 nonsmokers die from lung cancer each year.

Dr. Ross Brownson, author of the American Journal of Public Health article published in November, said yesterday, "The EPA has done a fine job." The Missouri Department of Health official also claimed his six-year study "matches EPA's findings."

"We saw risk go up significantly among nonsmoking women ... living with (someone) smoking two packs a day for 20 years or one pack a day for 40 years," Brownson said.

Radon exposure, diet, occupational hazards and previous lung diseases were included in his study.

So far, Brownson has only calculated risks associated with previous lung conditions. Those calculations show that a history of asthma, pneumonia, emphysema and tuberculosis all contribute to a higher rate of lung cancer in passive smoke environments.



Thursday, January 7, 1993

Investor's Business Daily -

## Stocks Head Higher Without The Dow; Chips Pad Gains, Tobaccos Take A Hit

By Leo Fasciocco  
Investor's Business Daily

Despite weakness in the blue chips, the stock market moved higher yesterday on strength in the technology sector, especially semiconductor issues.

Gainers held a 1,070 to 785 lead over losers, but the Dow Jones industrial average slipped 2.71, or 0.08%, to 3305.16. Trading expanded another 20% to 289 million shares.

The Dow's drop was caused in part by Philip Morris Cos. After falling 2 1/2 Tuesday, the stock slumped another 1 1/2

### Inside The Market

to 72 in heavy trading. It was down as much as 3 1/2 intraday. The weakness was due to concerns about possibly higher cigarette taxes and a looming federal report on the dangers of secondhand smoke.

Elsewhere in the tobacco group, Loews Corp. lost 1 1/2 to 116 1/4 and American Brands Cos. 1 1/2 to 37 1/2. The tobaccos have been laggards. Philip Morris broke down technically in October when it fell sharply from 85 on the heaviest weekly volume in more than five years.

THE NEW YORK TIMES, THURSDAY, JANUARY 7, 1993

# Dow Drops 2.71 on Philip Morris Selloff

By ALLEN R. MYERSON

The selloff in drug and tobacco stocks gathered force yesterday, with both industries threatened by tighter Government regulation.

Investors in general were nervously busy but indecisive, as the Dow Jones industrial average inched down 2.71 points on heavy volume to 3,305.16. The Nasdaq composite average, however, surged 7.51 points, or 1.11 percent, to a record of 681.85, on a computer technology rally led by chip maker Intel.

Drug and tobacco companies have long enjoyed the ability to raise their prices faster than inflation. The incoming Clinton Administration has pledged to control medical costs and is reportedly considering higher tobacco taxes.

"You have a real common thread," said David G. Shulman, the chief stock market strategist at Salomon Brothers. "Policy changes could well affect pricing flexibility."

New regulation of smoking seemed more likely yesterday after the Environmental Protection Agency reportedly concluded that secondhand cigarette smoke caused about 3,000 lung-cancer deaths a year in nonsmokers, as well as increasing the risk of pneumonia and bronchitis in children.

## Selloff in Tobacco Stocks

The Philip Morris Companies, their Marlboro brand already under assault by less expensive competitors, was the most active Big Board issue yesterday, falling \$1.625, to \$71.875. RJR Nabisco Holdings, also heavily traded, fell 25 cents a share, but at a price of \$8.25 that was a loss of 2.9 percent. Loews, whose Lorillard Inc. subsidiary manufactures cigarettes, lost \$1.625 a share to close at \$116.25.

Drug stocks continued their sufferings from last year, with Merck, Pfizer and Eli Lilly each down a point or more, as were health service issues including Medtronic, Baxter and St. Jude Medical.

For years, investors have prized the ability of drug, food, beverage and tobacco companies to deliver steadily increasing profits, recession or no. A growing number of analysts question whether they will remain so profitable much longer.

## Computer Stocks Again Dominate

"Their return on investment is going down — period," said Charles I. Clough Jr., chief investment strategist at Merrill Lynch. "That's going to be the story of 1993."

As on Tuesday, investors made havens of computer-chip manufacturers, auto makers and some other cyclical issues. Intel, the most heavily traded Nasdaq stock, jumped \$7.625 for a two-day gain of \$12.125. It reached a record \$98.625, as a chorus of analysts affirmed their strong recommendations. Other semiconductor companies also ran up, with Texas Instruments rising \$4.375, to \$53.50, and Motorola \$2.375, to \$108.125.

The computer industry again dominated the rest of the Nasdaq most-active list, with Apple and Microsoft each up \$2.50, to \$61.75 and \$89 respectively, and Seagate Technology, up \$1.75, to \$21.25. Novell increased \$1.125 a share, to \$30.375, after announcing a new alliance with A.T. & T.

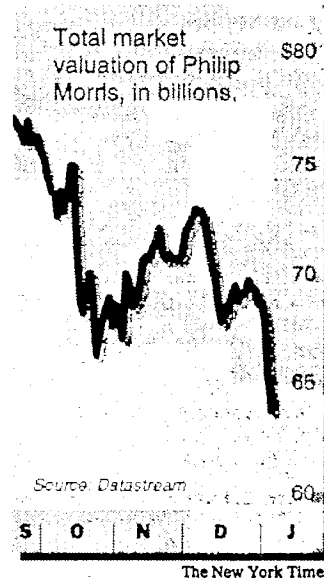
I.B.M., however, set a 17-year low of \$47.125 before recovering to \$48, ending the day down 87.5 cents. Mr. Shulman of Salomon Brothers said that vigorous trading in I.B.M. reflected a vast change in ownership. Those who long thought it was a stable, one-decision stock are selling, he said, while speculators are moving in.

Among the auto makers, whose chief executives met yesterday with President-elect Bill Clinton, Chrysler climbed \$3 in heavy trading to \$36.125, the stock's highest level since 1987. General Motors gained 75 cents, to \$34, and Ford Motor 12.5 cents, to \$44.75.

Amid all the churning, some chart-watchers found reassurance in the Dow's recent ability to stay above 3,300 despite the damage to such market leaders as Merck, I.B.M. and Philip Morris. "I am a very nervous bull," said Jack Solomon, a technical

## Insight

Total market valuation of Philip Morris, in billions.



## Smoked

Might Philip Morris take I.B.M.'s place as the market's bellwether and most valuable company? Maybe not. Since peaking Sept. 22 at \$86.625 a share, or \$77.8 billion in market value, it has fallen 17 percent to \$71.75, costing shareholders \$13.4 billion. The slide speeded up this week, on a Government report on passive smoking and the prospect of new cigarette taxes or laws.

analyst at Bear, Stearns. "But there does seem to be a nice feather cushion right under this market."

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THE WALL STREET JOURNAL THURSDAY, JANUARY 7, 1993

# EPA Report Sparks Antismoking Plans

## Plaintiffs' Suits May Prod Firms To Bar Smoking

By EDWARD FELSENTHAL

Staff Reporter of THE WALL STREET JOURNAL

The Environmental Protection Agency is counting mainly on plaintiffs' lawyers, rather than regulators, to drive businesses to ban smoking on their premises, and the lawyers are eager to comply.

As a result of the EPA's report linking "passive" tobacco smoke to lung cancer and other ailments, a new wave of tobacco-related lawsuits is likely, legal specialists say. These are expected to include:

- Workers' compensation claims by nonsmokers who say they became ill in a smoke-filled workplace.

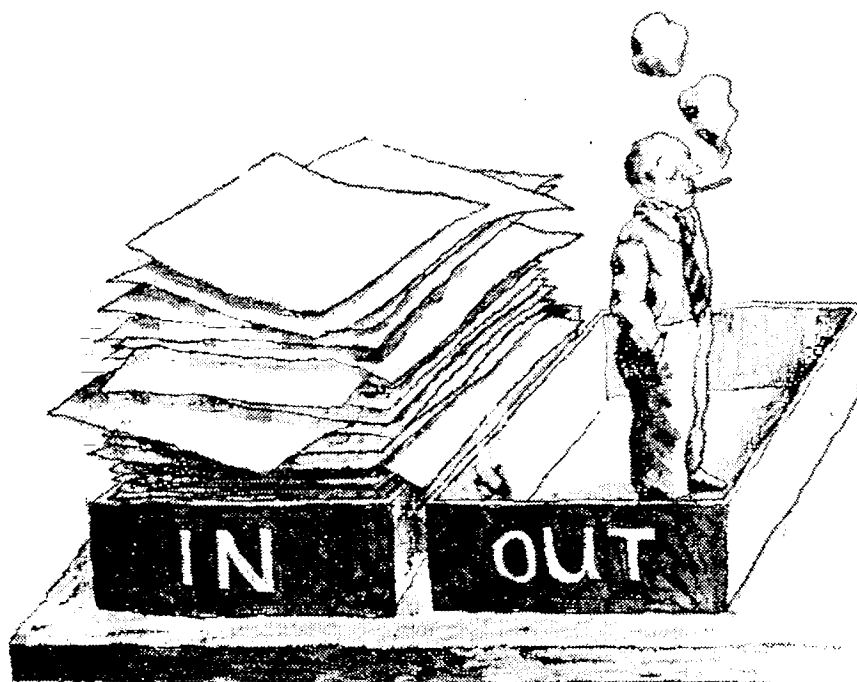
- Suits against tobacco companies by nonsmokers who have been exposed, anywhere, to cigarette smoke.

- Damage suits by customers who experience adverse reactions, such as respiratory problems, at restaurants, bars and other facilities that permit smoking.

While all these lawsuits have been attempted before, usually unsuccessfully, the EPA report is expected to be cited as compelling evidence of the perils of passive smoke. And it could aid plaintiffs even in cases in which exposure to the smoke preceded by many years the issuance of the report. As in all such cases, though, the plaintiff will still have to prove that the presence of the smoke caused his or her illness.

Lawyers for tobacco companies and employers stress the difficulty of proving such causation in any specific case. They add that the EPA report is far from the first public assertion that passive smoke may be a health risk, and that it won't serve as a panacea for the plaintiffs' bar.

Nonetheless, businesses are being urged by some defense lawyers to cut their future exposure to such lawsuits by moving more quickly to limit smoking in the workplace. Arvin Maskin, of the law firm Weil, Gotshal & Manges, suggests, for example, that companies consider segregating smokers in rooms with separate ventilation systems.



Giora Carmi

Mr. Maskin says that companies will be presumed by courts to be familiar with the EPA's findings and may have to go beyond mere compliance with various state and local regulations to avoid liability for wrongdoing.

That's the kind of legally driven reaction that EPA Administrator William Reilly has said he's seeking to encourage. The lawsuit route is particularly appealing to him because the EPA has no regulatory power over workplace smoking rules and has to rely on a separate federal agency, the Occupational Safety and Health Administration, to develop tighter regulations. In the past, OSHA has been slow to move on this issue.

In part because of the political complexity of pushing through regulations or legislation on such controversial matters, the government has often encouraged private lawyers to bring lawsuits that might help bring about the same results as legislation. In the past, civil rights and the environment have been among the areas in which lawyers in the private sector, sometimes viewed as "private attorneys general," have promoted a public policy through litigation.

"When litigation becomes a real factor, people change their behavior," says Richard Daynard, a law professor at Northeastern University who heads the Tobacco Products Liability Project, a public-health advocacy group.

Mr. Daynard and other lawyers also suggest that, when faced with more claims related to passive smoking, insurers may start exerting pressure on companies as well. Insurers interviewed yesterday, however, said that it was too soon to predict any such result.

So far, nonsmokers who have tried to link their illnesses to cigarette fumes haven't fared particularly well in the courtroom. Last September, for example, the Nevada Supreme Court denied workers' compensation benefits to a nonsmoker who worked for 20 years as a pit boss at a casino that allegedly encouraged smoking by providing customers with free cigarettes and ashtrays.

Such cases, typically involving plaintiffs with cancer and heart or respiratory diseases, have been difficult to win because there are so many factors other than second-hand tobacco smoke that can cause

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the illnesses. And, at least in the past, defendants could argue that the evidence on the dangers of secondary smoke, while mounting, wasn't conclusive.

But the EPA report may clear some obstacles for nonsmoking plaintiffs, particularly in worker's compensation cases in which nonsmoking employees with otherwise healthful lifestyles have been exposed to cigarette smoke for many years. "Now the employer is clearly on notice that secondary smoke is a hazardous condition that doesn't belong in the workplace," says Deborah Katz.

In fact, employees with smoking-related illnesses may be able to use the EPA's report as evidence even if their illnesses started before the report was released. Under most state workers' compensation laws, employees don't have to show the company was negligent in order to win their claims. If a worker can show that secondary smoke caused his ailment, he may prevail even if the employer can prove it didn't know secondhand smoke was harmful.

The report may buttress nonsmokers' lawsuits against the tobacco industry, as well. Although smokers have been rebuffed repeatedly in lawsuits seeking damages from cigarette manufacturers, cases by nonsmokers with tobacco-related illnesses eliminate some obstacles for plaintiffs' lawyers. Most significantly, in many instances nonsmokers will be able to prove that they were exposed to cigarette smoke against their wills. And nonsmokers won't face juries' skepticism about awarding damages to people who chose to smoke despite repeated health warnings.

In one pending nonsmoker case, a barber, Burl Butler of Laurel, Miss., has sued about a dozen tobacco companies, alleging that he developed lung cancer because of many years' exposure to his customers' cigarette smoke.

"I think the EPA report is definitely going to have a major impact upon our lawsuit" because the companies will find it harder to argue that the evidence on passive smoking is inconclusive, says Mr. Butler's lawyer, Roe Frazer. The tobacco industry, however, continues to maintain that there's no statistically significant link between passive smoke and lung cancer.

With evidence mounting about the dangers of secondhand smoke, however, tobacco-litigation specialists say juries may be receptive to a variety of more unusual claims. A Pennsylvania woman, Diana Andromalos-Dale, for example, is suing an Allegheny County, Pa., restaurant for assault and battery, alleging that she had a severe asthmatic attack after the restaurant placed her around smokers, despite her request to be seated in a nonsmoking area.

And the U.S. Supreme Court will hear arguments next week about whether another unusual passive-smoking case should go to trial. In that case, a Nevada state prisoner, a nonsmoker, alleges that the prison violated his constitutional rights

by housing him with a heavy smoker and by putting him in an area with no restrictions on smoking. The prisoner claims his exposure to the smoke is "cruel and unusual punishment."

## Some Businesses Already Moving Closer to Bans

A WALL STREET JOURNAL News Roundup

Democracy — at least when it comes to smoking — may soon be swept out the door at Raytheon Co.

Plant managers at the defense contractor can currently set their own smoking policies for workers, and employees in the company's Lexington, Mass., headquarters can smoke in their offices, special lounges or a designated area of the cafeteria.

Yesterday, however, just 24 hours after the Environmental Protection Agency concluded that "passive" tobacco smoke is a human lung carcinogen, a Raytheon spokesman said the company was already planning to sit down with union representatives to revamp its smoking policies.

"There clearly are new liability issues," a spokesman said.

Companies across the country began weighing their options yesterday in the wake of the EPA's decision to declare passive smoke an environmental health risk. Many businesses where smoke still lingers in the air — including restaurants, bars and tobacco companies themselves — said they would wait to see what steps local governments might take before changing their policies.

But some companies said the EPA findings might give them the leverage needed to banish smoking from the workplace entirely.

At Perini Corp., a construction and development concern based in Framingham, Mass., massive fans draw smoke from the few sites where cigarettes are permitted. "About seven years ago, when we made these lounges the only places you could smoke, we were ahead of the game," says Douglas Mure, vice president, human resources.

Now, however, Mr. Mure wonders if other steps are needed, such as making the headquarters smoke-free. "The EPA news will give us ammunition, if we decide to

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take that step," he says.

The ammunition appears to be substantial. According to the federal agency's report, passive smoke is responsible for about 3,000 lung-cancer deaths each year in the U.S. In addition, the EPA estimates that nonsmokers' exposure to smoke translates into between 150,000 and 300,000 cases of bronchitis and pneumonia every year in children up to 18 months old. Between 7,500 and 15,000 of these cases result in hospitalization, the EPA says.

As a result of the EPA ruling, Greyhound Lines Inc. says it plans to reassess a smoking policy that had already grown increasingly restrictive in recent years.

Greyhound banned smoking on its buses in 1990 and from its Dallas headquarters last year. But at other facilities around the country, employees are permitted to smoke in their private offices, break rooms and other designated areas, although not in places where they deal with the public, such as at ticket counters. Most Greyhound terminals also have designated smoking areas for passengers.

All that may change. "Given the EPA findings, we will seriously consider abandoning smoking from all of our locations," says a company spokesman.

At General Employment Enterprises Inc., Oak Brook, Ill., the company's chairman and president, Herbert Imhoff, says the EPA ruling gives him a "better excuse to crack down" on those employees who still puff. Of the company's 25 offices around the country, only two or three still allow smoking.

"We're already a long way toward banning smoking," Mr. Imhoff says. "This could tap the thing."

Already, 34% of employers ban smoking in the workplace, according to the American Lung Association. Antismoking activists say they hope the EPA report will prompt state and local governments to follow the lead of New York, Minnesota and New Hampshire, which have restricted smoking at work. (Those states do allow employers to designate smoking areas.)

The findings "will definitely spark

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some workplace bans," predicts Fran DuMelle, deputy managing director of the American Lung Association. But many of these added restrictions, she says, will probably originate with state legislatures or the federal government, rather than with companies themselves.

### Tougher Time

Small companies, Ms. DuMelle notes, often have a tougher time than large employers when it comes to restricting smoking. "Usually the very large employers can do this, while the small ones find it more difficult, because they have fewer smokers," she says. "It's a lot easier to target 500 people than one person."

Perhaps no U.S. companies are more straightforward in all but encouraging a smoking environment for their employees than tobacco makers—and the two biggest firms plan to stand by that approach.

Workers at R.J. Reynolds Tobacco Co. headquarters will be free to continue puffing away in peace, despite the EPA study. At the company's headquarters, a miniature version of the Empire State Building in downtown Winston-Salem, N.C., workers are free to light up at their desks and in their offices. Even the cafeteria doesn't have a no-smoking area.

"It's very permissive," says a spokeswoman for Reynolds, a unit of RJR Nabisco Holdings Corp., describing the company's smoking policy. "If people didn't care for smoking, I don't think they would work here."

In New York, Marlboro maker Philip Morris Cos. is even exempt from the nonsmoking ordinance that prohibits cigarette smoking in many public areas. The

company says it has no plans to switch to a more restrictive policy because of the EPA study. "We are committed to a policy of accommodating both smokers and non-smokers," says Steve Parrish, senior vice president, external affairs, at Philip Morris U.S.A.

Philip Morris and other tobacco companies yesterday disputed the EPA findings. They contended that the agency's study ignored previous research that found no statistically significant increased risk of cancer from smoke wafting from a burning cigarette. R.J. Reynolds said in a statement that the "annoyances" caused by passive smoke can be solved by improved ventilation.

At restaurants and bars around the country, a number of owners and managers are reacting with some despair to the EPA ruling. Still, many say they aren't changing their policies — until they absolutely have to.

"What happened to the days when you could go out and have something to eat and light your cigarette?" laments Bill McCloskey, manager of Manuel's Tavern in Atlanta. "They really take all the fun out of everything." The establishment has a smoking section, and most smokers are "polite" about extinguishing their cigarettes if neighbors complain, Mr. McCloskey says. Still, he anticipates that the day may soon come when the law will force Manuel's to ban smoking.

### No Plans

Christopher Carey, general manager of the Hudson River Club, a restaurant in

New York's World Financial Center, says of the EPA declaration: "I don't think it will change our policy dramatically." Indeed, he adds that he has no plans to reorganize the dining room.

The restaurant maintains a small smoking section, approximately 10% of capacity, which changes according to reservations. "I would anticipate there will be increased comment from some customers seated in adjacent areas," Mr. Carey says. "They'll want to sit further away."

In Seattle, Jerry Hahn, general manager of Leilani Lanes, a family owned bowling alley, says the EPA decision could cause problems. "It's a tough one," he says, adding: "We agree smoking isn't good for a person's health, but smoking is a very strong presence in our industry. Competitively, I'd be shooting myself in the foot if I was the only one to ban it."

Mr. Hahn has restricted smokers to a concourse area away from the center's 36 lanes, and he has also banned pipe and cigar smoking.

Most of the Leilani Lanes employees smoke, Mr. Hahn says. However, he says the EPA's ruling will make the alley consider a smoking ban. "I just hope," he says, "I don't have to stand here in the cold light of day and be forced to make that decision."

RTf 01/06 1234 Philip Morris <MO.N> says EPA smoking study flawed

WASHINGTON, Jan 6, Reuter - A senior official of Philip Morris Co Inc said an U.S. Environmental Protection Agency report that confirms second-hand tobacco smoke causes cancer is not supported by scientific data and ignores recent research that disproves its conclusions.

Steve Parrish, senior vice president of Philip Morris U.S.A., told a news conference EPA had changed its standards for evaluating outside research to ensure the findings proved that environmental tobacco smoke was carcinogenic.

"If this study were about anything but cigarettes....EPA would have buried it in embarrassment," he said.

Parrish said that if the original evaluation criteria had been used, 24 of the 30 studies upon which EPA based its report would have failed to support the agency's conclusion.

He also said the EPA had not included a large study funded by the National Cancer Institute and published in November in the American Journal of Public Health.

That study found no statistically significant increase in the risk of lung cancer from exposure to second-hand smoke.

A spokesman for the EPA declined comment on the cigarette company's statements. He said EPA Administrator William Reilly would comment Thursday when he releases the report.

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The report basically confirms the findings of a June draft report, which concluded passive smoke caused lung cancer and worsened asthma and other respiratory problems in children.

Parrish said his company did not believe that conclusion was supported by current scientific evidence.

He also said that EPA would have to classify chlorinated water, the household water supply of most Americans, as a known human carcinogen if it used the same methodology applied to second-hand smoke.

Recent studies showed that chlorinated water caused twice as many cancer deaths as those cited by EPA.

REUTER

THE WALL STREET JOURNAL THURSDAY, JANUARY 7, 1993

# What's News—

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## Business and Finance

**CORPORATE BOND ISSUANCE**  
Yesterday totaled a huge \$4.7 billion, the second largest single-day total ever. Companies were lured by the lowest interest rates in months, and investors eagerly bought the securities, especially those with maturities of 20 years or more. The Treasury's long bond lost  $\frac{1}{4}$  point.

Big growth stocks slumped on sharp declines in the tobacco and drug sectors. The Dow Jones industrials lost 2.71 points to 3305.16. But smaller stocks, led by technology issues, soared to a record, with the Nasdaq Composite Index climbing 7.51 to 681.85. The dollar finished higher.

(Articles on Page C1)

## Tobacco Stocks Driven Down; Dollar Gains

### WEDNESDAY'S MARKETS

By STEVEN E. LEVINGSTON

Staff Reporter of THE WALL STREET JOURNAL

Big growth stocks slumped, led lower by sharp declines in tobacco and drug issues. But smaller stocks soared to a record while bond prices slipped and the dollar rose.

The Dow Jones Industrial Average sank 2.71 points to 3305.16 in unusually heavy trading. Standard & Poor's 500-stock index inched up 0.17 to 434.51, and the Nasdaq Composite Index soared 7.51 to a record 681.85.

Tobacco shares took a nose dive after the Environmental Protection Agency concluded that "passive" smoke inhaled by nonsmokers causes lung cancer in humans. **Philip Morris** disputed the finding, but its share price tumbled 1%, or 2.2%, to 71 $\frac{1}{2}$  following a 2% decline Tuesday. **American Brands** plunged 1 $\frac{1}{2}$ , or 3.8%, to 37 $\frac{1}{2}$ , and **RJR Nabisco** dropped  $\frac{1}{4}$ , or 2.9%, to 8 $\frac{1}{4}$ .

Jack Maxwell, a tobacco analyst at Wheat First Securities in Richmond, Va., said he was unconcerned about the EPA report and the resulting sell-off. "It's serious for the image but not for the bottom line," he said.

Mr. Maxwell said that at least 20 studies in the U.S. have found no correlation between second-hand smoke and health, and that he didn't expect the EPA's decision to harm the tobacco companies' position in health-related lawsuits.

He also said he wasn't alarmed by the possibility of a tax increase on cigarette sales. The Wall Street Journal reported Tuesday that health groups were pushing for a \$2-a-pack tax to boost federal revenues and discourage smoking. Mr. Maxwell expects a tax increase, but not nearly as high as \$2.

The earnings outlook for tobacco companies is still bright, Mr. Maxwell said. "These companies are all very solid, with good growth for the foreseeable future," he said. "With prices down like this, it's a good buying opportunity."

Growth stocks also were pressured by

sharp declines in drug issues. **American Home Products** sank 2 $\frac{1}{2}$ , or 3.2%, to 64 $\frac{1}{2}$ . **Pfizer** lost 1 $\frac{1}{2}$ , or 2.3%, to 68 $\frac{1}{4}$ ; **Johnson & Johnson** slid 1 $\frac{1}{2}$ , or 3.1%, to 46 $\frac{1}{2}$ , and **Merck** sank 1 $\frac{1}{2}$ , or 2.6%, to 42.

Though the small-stock rally is steaming ahead, James Solloway, director of research at Argus Research, warns investors to be wary of an inevitable correction. "When the correction does begin, small stocks will feel the brunt of it," he said. "We'll see a period where larger stocks are outperforming, even if that means only that they fall less than smaller stocks."

World-wide, stock prices fell. The Dow Jones World Stock Market Index closed at 92.10, down 0.30.

In major market action:

Stock prices were mixed. Volume totaled 288.5 million shares on the New York Stock Exchange, where 1,091 issues rose and 780 fell.

Bond prices fell. The Treasury's benchmark 30-year issue lost a quarter-point, or \$2.50 for each \$1,000 face amount, to yield 7.35%.

The dollar rose. In late New York trading the currency was quoted at 1.6340 marks and 125.15 yen, compared with 1.6255 marks and 124.83 yen Tuesday.

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APf 01/06 1841 Tobacco Stocks

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By PATRICIA LAMIELL

AP Business Writer

NEW YORK (AP) -- Tobacco stocks fell sharply Wednesday after an Environmental Protection Agency report concluded that second-hand smoke causes cancer.

The long-awaited EPA study, expected to be released in final form on Thursday, also found that second-hand smoke increases the risk of pneumonia and bronchitis in children. The report could trigger an avalanche of federal, state and local regulations limiting smoking in public places, health advocates said.

Philip Morris Co. Inc., makers of Marlboro, Benson & Hedges and other popular brands, slipped \$1.50 to \$72.

American Brands, Inc., makers of Pall Mall, Tareyton and Lucky Strike, fell \$1.62 1/2 to \$37.37 1/2.

UST Inc., which makes snuff and pipe tobaccos, was down 62 1/2 cents at \$31.12 1/2.

Standard Commercial Corp., a tobacco processor and wholesaler, retreated 75 cents to \$31.50. Universal Corp., another processor, closed down 37 1/2 cents at \$33.37 1/2.

Philip Morris charged that the EPA ignored other studies that showed that non-smokers are not at risk from passive smoke, Dow Jones News Service reported.

Tobacco stocks were extending losses that began Monday, after reports that New York Gov. Mario Cuomo was set to propose a doubling of the 39-cent state cigarette tax. There were also reports earlier this week that a coalition of health organizations plan to push the incoming Clinton administration to sharply raise federal cigarette taxes.

Philip Morris stock was also responding Wednesday to a report by a tobacco-company analyst at the Sanford C. Bernstein brokerage company, which said Marlboro sales were slower in the summer and fall than originally believed.

Even though some analysts charged that Black's report was misleading, the stock fell on the news, said Trude Latimer, chief market strategist at Wayne Grayson Capital Corp.

Latimer said most of the selling was by sophisticated investment funds and speculators. "It has nothing to do with the little guy saying, 'Gee, Martha, I think we're going to sell our Philip Morris because I don't like what's coming out on the company.'"

But once such speculative selling pushes the price sharply lower, more stock analysts could issue downgrades, Latimer said. "When that happens, it's very hard to get long-term conservative portfolio manager to take a look at it again; he's going to wait for the dust to settle."

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THE TORONTO STAR Thursday, January 7, 1993:

# Canadian, U.S. tobacco firms fall in stock trading

Share prices of major cigarette companies on both sides of the border fell yesterday after the U.S. government gave a preview of its latest findings on smoking.

Although the U.S. Environmental Protection Agency's report on smoking was still to be officially released today, its key findings — particularly on the effects of "passive smoke" — have already affected the North American tobacco industry.

Potential new curbs on smoking, higher taxes on cigarettes and declining consumption have combined to put tobacco stocks on the defensive, analysts said yesterday.

In Canada, shares of Imasco Ltd., parent of Imperial Tobacco Ltd., fell 83 cents to \$40.50 a share yesterday. Imperial Tobac-

co is Canada's largest cigarette maker.

At the same time, the share price of rival Rothman's Inc. declined \$2 to \$100 a share.

In the U.S., shares of giant cigarette maker Philip Morris fell about 3 per cent, the second straight decline after the EPA findings became known.

Meanwhile, a Sanford C. Bernstein analyst's report describing Philip Morris's Marlboro brand market share and volume erosion as "alarming" was called misleading by other tobacco analysts.

The report, however, was at least partly responsible for Philip Morris' share price decline and a slump in share prices throughout the sector, according to market players.

A raft of bad news, especially the preview of the long-expected government report on "passive smoke," was also cited as a reason U.S. tobacco stocks traded lower.

Yesterday morning, for example, American Brands Inc. fell to \$38 (U.S.), setting a new 52-week low, while Philip Morris at a low \$70 edged closer to its 52-week low of \$69.50.

The Dow Jones composite index of four tobacco stocks was down 2.4 per cent on a market capitalization-weighted basis, while the Dow Jones Equity Market Index was down 0.01 per cent.

Imasco spokesperson Peter McBride said he saw no connection between the report's findings and Imasco's share price.

"I have no idea," McBride said. "There may indeed be a link between the EPA report and the price of our stock. But it's purely speculative and difficult to determine."

Philip Morris and the U.S. Tobacco Institute went on the offensive yesterday to discredit the new government report that "passive smoking" kills thousands of non-smokers each year.

Two senior Philip Morris officials told a news conference in Washington that the report was scientifically flawed and ignored recent research that disproved its conclusions.

EPA officials have said the report will confirm a June draft report estimate that 3,000 non-smokers would develop lung cancer each year as a result of inhal-

ing smoke from other people's cigarettes.

Steve Parrish, senior vice president of Philip Morris USA, said EPA had changed its standards for evaluating outside research to ensure the findings proved that environmental tobacco smoke was carcinogenic.

"If this study were about anything but cigarettes . . . EPA would have buried it in embarrassment," he said.

"Eighty per cent of the worldwide studies on this find no increased risk of cancer from environmental tobacco smoke," he said.

"The data are clear. There is no proven risk of disease linked to environmental tobacco smoke."

Tobacco Institute spokesperson Thomas Lauria told Reut-

ers News Agency that the industry had launched an "aggressive campaign" against the study and was sending out hundreds of video news releases to television stations around the U.S.

EPA Administrator William Reilly was to present the agency's final assessment of the issue at a news conference today, as well as a "dramatic" risk figure for the chances that non-smokers will get cancer.

Agency officials declined to comment on the tobacco industry charges that the report was flawed.

At the same time, the U.S. health department was to unveil a public information campaign to warn against the dangers non-smokers face.

STAFF, THE STAR'S WIRE SERVICES

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APn 01/07 1005 EPA-Secondhand Smoke

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By PAUL RAEBURN

AP Science Editor

WASHINGTON (AP) -- Cigarette smoke has "a serious and substantial public health impact" on nonsmokers, causing lung cancer in adults and as many as 300,000 cases of bronchitis, pneumonia and other infections in infants, the Environmental Protection Agency said today.

The long-awaited report marks the end of four years of research during which the EPA resisted a massive effort by the tobacco industry to water down and delay the report.

Health advocates praised the report, saying that it was certain to lead to greater restrictions on smoking in public places. The tobacco industry said that scientific evidence does not support the EPA's conclusions.

The report "adds new peer-reviewed evidence to the growing scientific consensus that smoking is not just a health danger for smokers, but a significant risk for nonsmokers, particularly children," said EPA Administrator William K. Reilly.

"Too many Americans fail to understand the seriousness of the health risks of breathing other people's cigarette smoke," said Dr. Louis W. Sullivan, Secretary of Health and Human Services.

Among the report's findings:

- Secondhand cigarette smoke is a human carcinogen, killing about 3,000 U.S. nonsmokers because of lung cancer annually.

- Cigarette smoke is responsible for 150,000 to 300,000 cases of bronchitis and pneumonia and other lower respiratory infections in children up to 18 months of age.

- Cigarette smoke increases the frequency and severity of symptoms in 200,000 to 1 million children with asthma, and increases the risk of new cases of asthma.

- Tobacco smoke also causes build up fluid in the middle ear, a condition that can lead to ear infections.

In a disclosure that detracted from today's announcement, EPA officials confirmed a charge by critics that it had dropped tobacco smoke from its basic science studies of indoor air pollutants.

Critics said the move represented a capitulation to the tobacco industry, but EPA officials said they had simply completed their research on tobacco.

Meanwhile, the General Accounting Office has launched two investigations of EPA's handling of the health effects of secondhand smoke.

The investigations were requested by Reps. John Dingell, D-Mich., chairman of the House oversight and investigations subcommittee, and Virginia's Thomas J. Bliley, the committee's ranking Republican.

One investigation concerns the adequacy of the EPA's scientific peer reviews, in which EPA documents are critiqued by other scientists to assure accuracy, said Peter Guerrero, associate director of the GAO, which is the investigative arm of Congress.

The other investigation is directed at the leak of a draft EPA report on secondhand smoke and heart disease. The report was initially intended to be a companion to the secondhand smoke report that the EPA released today.

A draft of the heart disease report was given to The Associated Press by the EPA in December 1990, and the final draft was obtained by the AP in May 1991. "The disclosure to The Associated Press is what precipitated the request" for the second investigation, Guerrero said. He said he could not release any details of the investigations.

The heart disease report found that secondhand smoke causes 37,000 heart disease deaths in U.S. nonsmokers each year. It was killed by the EPA

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